

State Trust Lands Cabin and Homesites

MARCH 4, 2010

ENVIRONMENTAL QUALITY COUNCIL

The department has developed rules based on the "3-B alternative" as directed by the Board of Land Commissioners at their December 2009 meeting. The alternative was developed to address the following issues and concerns raised by the lessees:

Issue: Department of Revenue (DOR) 2009 land value does not reflect down turn in real estate market.

Response: The 2003 DOR land value was projected forward by 46%. Six hundred and forty seven (647) of our 764 leases and their corresponding lease fees are advantaged by the projected land value as their 2009 DOR land value exceeded the 46% increase in land value

Issue: The annual lease fee is unpredictable when reviewed every six (6) years with the DOR land reappraisals. Without "alternative 3-B" the lessee will pay 5% of the 2009 DOR land value.

Response: The lease fee is predictable over a 15 year period and will increase between 3.25% and 6.5% annually. At year 15 the lease fee will be capped at 50% increase or decrease.

Issue: The 15 – 25 year lease term did not meet financing requirements.

Response: The lease term may be extended 5 years beyond a mortgage commitment not to exceed 35 years.

Comparison of leasing vs purchase

2003 DOR land value on water \$123,200

2009 DOR land value on water \$385,648

2009 Projected land value \$180,070

$(\$123,200 \times 1.46\% = \$180,070)$

Total amount of rent payments for 20 years **\$283,118**

Total amount of land, interest and property tax payments for 20 years **\$632,611**